

## A Study on Competitive Strategy and Vegetarian Restaurants' Performance in Indonesia: Mediation and Psychological Impact of Loyalty of customers

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**Abstract**— This study investigates the impact of loyalty of customers on the competitive strategy and performance of vegetarian restaurants in Indonesia. Loyalty of customers is one of the company's unique assets. There is a demand from restaurant management to divert business strategy towards preserving and increasing loyalty of customers, which improves the restaurant's performance. The method used to obtain primary data was distributing Likert-Scale questionnaires to vegetarian restaurants affiliated with IVS and VSI. Two hundred twenty-four respondents were involved in this study. SmartPLS 3.2.9 was used for data analysis using Path Analysis. The research results have shown a positive and significant effect of "innovation differentiation strategy, marketing differentiation strategy, and low-cost strategy on loyalty of customers towards vegetarian restaurants in Indonesia". Loyalty of customers significantly positively impacts the operational performance of vegetarian restaurants in Indonesia. Loyalty of customers also mediates the effect of "innovation differentiation strategy, marketing differentiation strategy, and low-cost strategy" on company performance, respectively. The competitive strategy comprises innovation differentiation, marketing differentiation, and cost reduction strategies toward the operational performance of vegetarian restaurants in Indonesia.

**Index Terms**— competitive strategy, loyalty of customers, operational performance, vegetarian restaurant.

### I. INTRODUCTION

A Company's performance is essential. As recommended by the researchers, it is necessary to conduct continuous research to examine matters related to company's performance [1]. These recommendations are reasonable because performance measuring translate organizational strategy into the desired behavior and results. [2], [3], [4]. Strategy is a tool or means to achieve goals. So, an analysis is needed about what strategies need to be carried out to get the desired results [5]. The competitive strategy consists of innovation differentiation, marketing differentiation, and low costs [6]; will be adopted in this study. Furthermore, the competitive strategy and how it affects the company's performance will be tested. Previous studies have concluded that there is no "direct relationship between competitive strategy and firm performance" [7], [8], [8]. The opposite result was obtained from the results of other studies that competitive strategy has a significant positive effect on company performance [9], [10]. The competitive strategy also affects industry performance [11]. Previous research specifically explained that innovative behavior by service providers would affect business customers' performance [12]; and "competitive priorities in operations can have a direct positive effect on firm performance" [13].

Competitiveness can explain loyalty of customers [14]; company strategy also has an impact on loyal customers, even though the impact is different [15]. It has been explained that differentiation affects loyalty [16], [17]; and market orientation has a positive direct effect on loyalty of customers [18].

The main engine for expansion and profitability is loyalty of customers. In addition to boosting employee morale and resulting in unanticipated productivity and profitability boosts, strong levels of loyalty of customers can also lower the cost of capital [19]. Specifically, consumer loyalty for vegetarian-based products is also influenced by lifestyles such as belief in better physical health, positive feelings, adopting the right attitude morally, and increasing a sense of belonging with the vegetarian community [20]; and the mood factor is the

most significant [21], [22]. So the loyalty of customers of non-animal products can be classified as the first group, namely loyalty which is determined by primary factors such as “customer satisfaction, trust, perceived value, and perceived service quality” [23].

There has been an inconsistency in the effect of competitive strategy on company performance, so several previous studies placed a connecting variable between the two variables. For example, “performance measurement mediates the relationship between competitive strategy and company performance” [8]; and “supply chain management as mediating the influence of competitive strategy on company performance” [9]. Reference [18] explained that loyalty of customers has a characteristic as a mediating variable, where loyalty of customers mediates the “relationship between market orientation and performance”. These various empirical shreds of evidence encourage us to examine the role of loyalty of customers in mediating the effect of competitive strategy on a company's operational performance. The results of this study are expected to fill the gap in previous research. Vegetarian-based restaurants continue to grow, experience an increase in the number of consumers, and create a lucrative market, so it is necessary to understand the various motivations for adopting this vegetarian diet and lifestyle [24]. Based on the data, this business opportunity is still wide open. For example, until 2018, out of approximately 260 million Indonesians, around 2 million still live a vegetarian lifestyle or less than 1 percent [25]. Indonesia is also included as a friendly country for vegetarian-based restaurant customers. The “Global Vegetarian Index” published by Oliver's Travel states that Indonesia ranks 16th out of the 20 highest countries in the index, where the survey involved 187 countries [26]. The Indonesian government is also trying to create vegetarian-friendly tourism [27]. One of the phenomena during the Covid-19 pandemic was an increase in interest in consuming vegetarian-based products to increase the body's immunity [28]. In addition, a vegetarian diet is believed to help overcome climate change because a vegetarian lifestyle will reduce the consumption of animal-derived foodstuffs [29]. Reference [30] also explained that the taste of vegetarian food will be even better. These various phenomena support the belief that in 2035 many people will switch to consuming vegetarian-based foods [31]; so vegetarian restaurants have real development potential soon [32].

Several novelties will be the contribution of this research. First, this research is the first to examine “the effect of loyalty of customers as a mediating variable on the relationship between competitive strategy and company performance” in vegetarian-based restaurants in Indonesia so that it will add material to theoretical and analytical discussions on the topic. Second, this study will expand on previous research frameworks that examined the relationship between market orientation and performance [18]; because market orientation is one of the determinants of competitive strategy [33], [34], [35]. Third, the results of this study will become a new theoretical and empirical reference about why customers and customer relationships are essential resources for companies [36].

## II. LITERATURE REVIEW

### A. “Resource Based View Theory”

The theoretical approach of “Resource Based View theory” can be used to understand the relationship between competitive advantage and firm performance [10]. RBV is also used as a resource-based theory in strategic management to review loyalty of customers as a crucial factor in the relationship between a company and its customers [36]. There are several implications for competitive strategy theory that uses a resource-based perspective [6], [37]. The theory that Wernerfelt first pioneered explains that the primary basis of competitive advantage lies in a group of a company's tangible or intangible assets [38]. This theory also states that the company is a combined of resources and strengths owned by the company, so each company needs to focus on managing these resources with a combination that its competitors cannot imitate, and customers are one of these resources [36]. Likewise, the availability of resources positively affects the company's strategic performance [39]. Thus the company's sustainable competitive advantage rests on resources that are very “valuable, rare, inimitable, and irreplaceable” [40], [41], [42], [37]. The unification of the marketing and resource-based operations viewpoints supports a unified view of competitive strategy, product, and service design so that companies can optimize their profits [43].

### B. Company Performance

Performance measurement is done by comparing the actual results of the company's achievements to the results

of standards or targets previously set; this measurement is called traditional performance measurement. Meanwhile, contemporary performance measurement uses activity as a basis. In essence, performance measures are designed to assess how well the activities are carried out and can identify whether continuous improvements have been made [44]. Company performance is the extent to which the company achieves predetermined goals [45]. In this study, the company's performance in question is more specific to the company's operational performance because the intensity of competition has more impact on the company's operational performance than financial performance [46]. In addition, top managers and designers of performance measurement tools must pay special attention to non-financial performance measures in implementing their organizational strategy [47]. In various pieces of literature, several indicators of the company's operational performance have been described, which consist of flexibility in service, service delivery process, consistency in providing customer needs, variety of services, customer service time, nature of service in supporting the utilization of customer resources, operating costs, reduced service failures, introducing new services and capabilities to address customer needs [48], [49], [50], [46].

### *C. Competitive strategy*

Reference [51] states that competitive strategy is searching for a favorable position in an industry. The place where the competition takes place and the determination of competitive strategy is the reconciliation of the strategic implications that flow from each of the essential aspects of the industrial structure. The creation of a formula for how the company will compete, the goals that should be set, and the policies required to attain these goals is known as a competitive strategy. An industry's level of competition is not determined by luck or chance. Contrarily, industrial competition is entrenched in the fundamental economic structure and extends beyond the rivals' current actions [51]. Previous studies have shown that market orientation is a crucial competence based on transformational innovation differentiation, marketing differentiation, and low cost [6]. So we adopted innovation differentiation, marketing differentiation, and low cost as the dimensions of the competitive strategy variables. The innovation differentiation strategy combines learning with innovation, namely that learning is carried out through research and development. Innovation will follow up on this learning in producing innovative products and processes [6]. In particular, marketing skills and customer relationship-building skills are more relevant in a marketing differentiation strategy, whereas research and development and product engineering skills are critical in an innovation differentiation strategy, but process and engineering efficiency are most important in a low-cost strategy [51].

### *D. Loyalty of customers*

Compared to before, loyalty of customers is now the company's focus rather than customer satisfaction [52]. Loyal customers will show buying behavior regularly, and there will be purchases at least twice within a specific time interval [53]. Loyalty of customers is defined as an unwavering commitment to subscribe to, or repurchase products in the form of goods or services carried out consistently in the future, even though other companies make marketing efforts and have the potential to change customer behavior [54]. Loyalty of customers depends on the market and characteristics of the industry [55]. And the highest loyalty arises from a combination and synergy between perceived product superiority, personal loyalty, and social bonds [54]. In other words, loyalty of customers is a deeply held commitment to repurchase a preferred product or service consistently in the future, even though there are situational influences and marketing efforts made by competitors that have the potential to cause behavior changes.

### *E. Hypothesis*

The relationship between competitive advantage and customers has been discussed from a resource-based perspective, emphasizing that customers are a resource owned by the company [36]. So the RBV Theory is very appropriate in explaining the influence of corporate strategy, both innovation differentiation, marketing differentiation, and low-cost differentiation on loyalty of customers. The company will try to deploy the best strategy to maintain loyalty of customers because, in the perspective of the RBV theory, loyalty of customers is one of the resources owned by the company. In general, the company's strategy will affect the existence of loyal customers, even though the impact is different [15]. So, whatever strategy the company adopts will ultimately affect its customers' loyalty. Likewise, the results of the research state that differentiation affects loyalty [16], [17]. Differentiation shows the company's strategy that differentiates it from its competitors. Differentiation can

grow loyalty of customers driven by this differentiator. Specifically, company competitiveness can describe loyalty of customers [14]. It shows that companies that have strong competitiveness are companies that have loyal customers. Service innovation is said to be positively related to customer advocacy [56]. So hypothesis 1 of this study is:

- H1: Innovation Differentiation Strategy affects Loyalty of customers

In the study of the relationship between market orientation, loyalty of customers, and business performance, it is explained that market orientation has a positive direct effect on loyalty of customers [18]. In other words, market-oriented companies show that they are customer-oriented. The expertise of qualified marketing personnel as one of the marketing strategies also dramatically influences the level of customer satisfaction and loyalty [57]. The entire marketing mix also positively and significantly affects loyalty of customers [58]. Then hypothesis 2 in this study is:

- H2: Marketing Differentiation Strategy affects Loyalty of customers.

Reference [59] explains that the perception of price and switching costs affect loyalty of customers which explains that a low-cost strategy is one of the factors needed to retain customers. Implementing a low-cost strategy will undoubtedly further strengthen loyalty of customers to the products provided. Hypothesis 3 in this study is as follows:

- H3: Low-Cost Strategy effects Loyalty of customers.

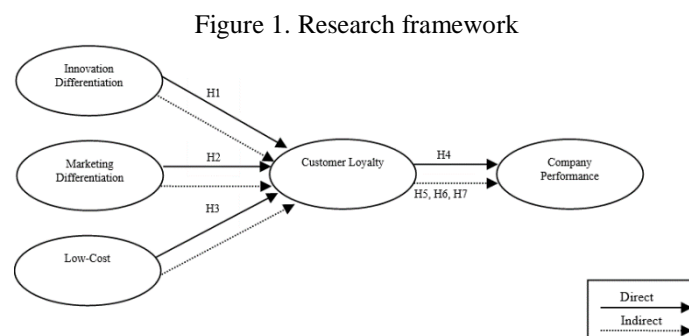
As already explained that loyalty of customers is the most crucial driver of growth and profitability. High and consistent loyalty of customers can increase employee morale, generate unexpected bonuses in productivity and profitability, and even reduce the cost of capital [19]. In line with this, reference [18] explains that loyalty of customers has a direct positive effect on performance. The RBV theory explains that the company's resources are directed to produce optimum performance in the framework of the company's future development. So this theory can also explain the construct of this hypothesis. Then Hypothesis 4 in this study is:

- H4: Loyalty of customers effects Company Performance.

Previous studies have shown an inconsistency in the relationship between competitive strategy and company performance. As research states that there is no direct relationship between competitive strategy and company performance [7], [8]. Yet other research suggests competitive priority in operations can have a direct positive effect on firm performance [13]; and competitive strategy has a significant positive effect on company performance [9], [10]. Specifically, it is said that innovative behavior by service providers, in turn, affects business customers' performance [12]. There are differences in these results that support the RBV theory and those that do not support or contradict it. In the construct of this research, the theory of RBV is still used because it can fully explain the construct of this research that the company's strategy and loyalty of customers are resources owned by the company. Differences in the results of previous studies have also created gaps so that researchers have placed mediating variables [8]; and also the moderating variable [9]; on the relationship between competitive strategy and company performance. In this study, we make loyalty of customers a mediating variable because the characteristics of loyalty of customers can mediate this relationship [18]. Then Hypothesis 5, Hypothesis 6, and Hypothesis 7 of this study are:

- H5: Innovation Differentiation Strategy affects Company Performance through Customer Loyalty
- H6: Marketing Differentiation Strategy affects Company Performance through Loyalty of customers
- H7: Low-Cost Strategy affects Company Performance through Loyalty of customers

Based on the proposed theories and hypotheses, the research framework is shown in the following figure.



### III. METHODOLOGY

The subjects of this study were vegetarian-based restaurants in Indonesia affiliated with the Indonesia Vegetarian Society & Vegan Society of Indonesia (IVS & VSI). IVS & VSI is an Indonesian Vegetarian & Vegan Organization which is also a member of the International Vegetarian Union (IVU) and the World Vegan Organization (WVO) [60]. While the object of this research is a competitive strategy, loyalty of customers and operational performance. We have obtained official permission and support from the IVS & VSI administrators to collect the data and information we need from every registered IVS & VSI member. Indonesian data in 2020 shows: the number of vegetarian restaurants is 438 restaurants, the average number of consumers of vegetarian restaurants is 603,000 consumers and the annual meat consumption per capita is 11.6 kg, and the Global Vegetarian Index score is 280 points [26]. Based on the results of the confirmation from the researchers to the IVS & VSI management, the number of vegetarian restaurants affiliated with IVS & VSI until 2022 is 502. So with the Slovin formula, the minimum sample size is 223 restaurants. The sample selection uses probability sampling because this type of sample selection is most often used in survey-based research [61]. Questionnaires in a Google form were distributed to all restaurants by sharing links via the what's app group. Each restaurant is represented by one person who is the restaurant's manager. It is done to avoid differences in answers if more than one person represents one restaurant. This field survey research uses a questionnaire instrument in which there are 2 statement items about restaurant characteristics and 25 statement items as indicators to measure variables adopted from the research [6], [53], [48], [49], [50]. The questionnaire was modified by making a more precise separation between the dimensions of innovation differentiation and marketing differentiation [62]. Researchers also ensure that each respondent understands each statement's meaning to maintain reliability and accuracy. Respondents' answers were included on a 7-point scale (from 1 = strongly disagree to a scale of 7 = strongly agree). The statistical testing tool in this study uses SmartPLS Software (v.3.2.9) to accommodate a more complex model structure [63]; where this research examines the direct and indirect effect.

Table 1: Dimensions and indicators of research variables

Variables	Constructs	Indicators	Statements	Measurement
Competitive strategy	Innovation Differentiation	<ul style="list-style-type: none"> <li>• Product Innovation</li> <li>• Process Innovation</li> <li>• Market Innovation</li> </ul> [62], [6]	ID1, ID2, ID3, ID4, ID5	Ordinal
	Marketing Differentiation	<ul style="list-style-type: none"> <li>• Emphasis on marketing</li> <li>• Spending on Promotions</li> <li>• Emphasis on excellent sales force</li> </ul> [6]	MD1, MD2, MD3	Ordinal
	Low-Cost	<ul style="list-style-type: none"> <li>• Production process efficiency</li> <li>• Trying to achieve economies of scale</li> </ul>	LC1, LC2, LC3	Ordinal

		<ul style="list-style-type: none"> <li>Capacity utilization in optimizing production [6]</li> </ul>		
Customer Loyalt	Loyalty of customers	<ul style="list-style-type: none"> <li>Regular repeat purchases.</li> <li>Purchasing across product and service lines.</li> <li>Invite others.</li> <li>Ability to overcome competitors' influence [53]</li> </ul>	CL1, CL2, CL3, CL4	Ordinal
Company Performa nce	Company Operational Performance	<ul style="list-style-type: none"> <li>Flexibility in service</li> <li>Service delivery process</li> <li>Consistency in providing customer needs</li> <li>Variety of services</li> <li>Speed in service</li> <li>The nature of the service to support the utilization of customer resources</li> <li>Low operating costs</li> <li>Reduce service failures</li> <li>Introducing a new form of service</li> <li>Ability to handle customer needs [48], [49], [50], [46].</li> </ul>	OP1, OP2, OP3, OP4, OP5, OP6, OP7, OP8, OP9, OP10	Ordinal

From the results of distributing the questionnaires, 231 responses were obtained. However, seven responses were not included due to incompleteness and multiple fillings, so 224 responses met the requirements to be respondents. Characteristics of respondents based on length of operation were: 0 years to 1 year in 4 restaurants (1.79%), more than one year to 2 years in 24 restaurants (10.71%), more than two years to 3 years in 11 restaurants ( 4.91%), more than three years to 4 years 17 restaurants (7.59%), more than four years to 5 years 33 restaurants (14.73%), more than five years to 6 years 75 restaurants (33.48%) and more than seven years as many as 60 restaurants (26.79%). Characteristics of respondents based on average daily sales are Rp. 0.00 to Rp. 1,000,000.00 for eight restaurants (3.57%), more than Rp. 1,000,000.00 to Rp. 2,000,000.00 for 22 restaurants (9.82%) ), more than IDR 2,000,000.00 to IDR 3,000,000.00 in 15 restaurants (6.70%), more than IDR 3,000,000.00 to IDR 4,000,000.00 in 16 restaurants (7.14%), more than Rp. 4,000,000.00 to Rp. 5,000,000.00 for 37 restaurants (16.52%), more than Rp. 5,000,000.00 to Rp. 6,000,000.00 for 76 restaurants (33.93%) and more than Rp. 6,000,000. 00 as many as 50 restaurants (22.32%).

#### IV. RESULT

##### A. Assessment of measurement

This assessment was carried out to ensure the feasibility of reflective indicators in this study, such as Consistency Reliability to test whether indicators can measure variables correctly. This can be fulfilled if the Composite Reliability value  $\geq 0.6$  and Cronbach's Alpha  $\geq 0.6$  [64]. Furthermore, according to Hair, Convergent Validity aims to measure the relationship between indicators on variables regarding the value of Loading Factor  $\geq 0.7$  and Average Variance Extracted (AVE)  $\geq 0.5$ . Table 2 shows that the Composite Reliability and Cronbach's Alpha values are all above 0.6 so it can be said that indicators can measure variables well. Likewise, the Loading Factor values, all of which are worth greater than 0.7 and the AVE value is higher than 0.5.

Table 2: Composite Reliability, Cronbach's Alpha, Loading Factors and Average Variance Extracted

Constructs	Item	CR	CA	Loading Factors	AVE
Innovation Differentiation	ID1	0.952	0.937	0.906	0.798
	ID2			0.901	
	ID3			0.878	
	ID4			0.909	
	ID5			0.872	
Marketing Differentiation	MD1	0.945	0.912	0.933	0.850
	MD2			0.915	
	MD3			0.918	
Low-Cost	LC1	0.957	0.933	0.933	0.882
	LC2			0.949	
	LC3			0.936	
Loyalty of customers	CL1	0.945	0.923	0.924	0.813
	CL2			0.901	
	CL3			0.933	
	CL4			0.846	
Company Operational Performance	OP1	0.972	0.968	0.885	0.779
	OP2			0.854	
	OP3			0.892	
	OP4			0.843	
	OP5			0.892	
	OP6			0.904	
	OP7			0.894	
	OP8			0.882	
	OP9			0.864	
	OP10			0.914	

Then, to test the extent to which each variable differs, it is measured by Discriminant Validity. Discriminant validity is shown when each measurement item weakly correlates with other constructs except those related theoretically [65]. Discriminant Validity is considered good if the AVE square root value of each construct is greater than the correlation value between the other constructs [66]. Based on Table 3, it is shown that all AVE squared values for each construct are higher than the correlation values between constructs (0.902 is higher than 0.877; 0.821; 0.816; and 0.876), likewise for other constructs showing the same thing.

Table 3: Fornell & Larcker criteria

Custo mer	Innovati on	Low- Cost	Marketin g	Perfo rman
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	Loyalt y	Different ia tion	Different ia tion	ce	
Loyalty of custome rs	0.902				
Innovati on Differen tiation	0.877	0.893			
Low- Cost	0.821	0.860	0.939		
Marketi ng Differen tiation	0.816	0.862	0.801	0.922	
Perform ance	0.876	0.891	0.880	0.853	0.883

### B. Structural Models

The determinant coefficient ( $R^2$ ), effect size ( $f^2$ ), Stone-Geisser relevance and Path Coefficient are used to analyse the relationship between the independent and dependent variables [64]. The analysis results in Table 4 show that the  $R^2$  value for the loyalty of customers variable is 79.7, which means that innovation differentiation, marketing differentiation and low costs can explain the variance of loyalty of customers by 79.7%. Then the test results on the operational performance variable show an  $R^2$  value of 75.7 which means that loyalty of customers can explain the variance in operational performance of 75.7%. The value of the effect size ( $f^2$ ) on the innovation differentiation variable is 0.244, low cost of 0.055, marketing differentiation of 0.40 and consumer loyalty of 3.290. According to the criteria in the reference [64], Then the relative impact of innovation differentiation on consumer loyalty is a large category (greater than 0.35). At the same time, the relative impact of marketing differentiation and low costs on consumer loyalty is a medium category (greater than 0.015), and the relative impact of consumer loyalty on operational performance is a large category (greater than 0.35). Stone-Geisser (Q2) relevance score, based on criteria [67], Shows that all exogenous variables have relevance to loyalty of customers 0.634 ( $\geq 0$ ), and operational performance 0.588 ( $\geq 0$ ). Path Coefficient is used to test the hypothesis with the results of a direct effect of innovation differentiation ( $\beta=0.534$ ,  $p=0.000$ ), marketing differentiation ( $\beta=0.183$ ,  $p=0.000$ ), low-cost ( $\beta=0.214$ ,  $p=0.002$ ) so that all have a positive effect and significant effect on loyalty of customers or H1, H2 and H3 are supported. Path Coefficient of loyalty of customers ( $\beta=0.876$ ,  $p=0.000$ ) which means a positive and significant effect on operational performance or H4 is supported.

Table 4: Hypothesis Testing,  $R^2$  and  $f^2$

Hyp o thesi s	Beta	SD	T- Valu e	P- Value	$R^2$	$f^2$	Result
H1	0.534	0.067	8.013	0.000	0.794	0.244	Support ted
H2	0.183	0.077	2.387	0.017	-	0.040	Support ted
H3	0.214	0.063	3.421	0.001	-	0.055	Support ted
H4	0.876	0.021	42.052	0.000	0.767	3.290	Support ted



### C. Mediation Variable Analysis

This research follows the rules of selecting and testing mediating variables in the relationship between variables, allowing for an indirect effect of one variable on another through the intermediary variable [68]. As shown in Table 5, a specific indirect effect is seen on innovation differentiation ( $\beta=0.468$ ,  $p=0.000$ ), marketing differentiation ( $\beta=0.160$ ,  $p=0.019$ ) and low-cost ( $\beta=0.188$ ,  $p=0.001$ ) indicate that loyalty of customers positively and significantly mediates the relationship between innovation differentiation, marketing differentiation and low costs on operational performance.

Table 5. Mediation Variable Analysis

Hypothesis	Beta	SD	T-Value	P-Value	Result
H5	0.534	0.067	8.013	0.000	Supported
H6	0.183	0.077	2.387	0.017	Supported
H7	0.214	0.063	3.421	0.001	Supported

## V. DISCUSSION

This study involved managers of plant-based restaurants in Indonesia in examining the effect of their competitive strategies on restaurant operational performance through loyalty of customers. Specifically, this study examines the direct effect of competitive strategy as reflected by innovation differentiation, marketing differentiation and low costs on loyalty of customers (H1, H2 and H3), examines the direct effect of loyalty of customers on restaurant operational performance (H4) and examines the effect of competitive strategy that reflected by innovation differentiation, marketing differentiation and low costs on restaurant operational performance through loyalty of customers (H5, H6 and H7). Thus, this research is expected to produce findings that can fill in the last research gaps, develop the previous research framework and contribute to adding to theoretical and empirical analyses about customers and the importance of company relationships with customers.

The findings of this study are that empirically Hypothesis 1 is supported, indicated by the results that competitive strategy proxied by innovation differentiation has a positive and significant effect on loyalty of customers; this result follows previous research, which states that differentiation affects loyalty [16], [17]. Hypothesis 2 is supported, which shows that competitive strategy proxied by marketing differentiation has a positive and significant effect on loyalty of customers, in line with the research results on reference [18]. Hypothesis 3 is supported that competitive strategy proxied by low costs has a positive and significant effect on loyalty of customers according to the results of research on reference [59], which states that the perception of price and switching costs affect loyalty of customers. In general, the research results on competitive strategy align with the research results on reference [14], which states that competitiveness can explain loyalty of customers. Hypothesis 4 is supported that loyalty of customers has a positive and significant effect on the performance of vegetarian-based restaurants according to the results of research on reference [19], that consistently high loyalty of customers can also increase productivity and profitability.

Specifically, regarding the testing of the moderating variable, it has been consistent and meets the three requirements in the application of mediating variables in research as described in the reference [69], i.e. the predictor variable must affect the mediator variable, the predictor variable must affect the outcome variable, and the mediator variable must affect the outcome variable. Hypothesis 5 is supported that the innovation differentiation strategy influences company performance through loyalty of customers. Likewise, Hypothesis 6 is supported: the marketing differentiation strategy affects company performance through loyalty of customers. Hypothesis 7 is supported that the low-cost strategy affects company performance through loyalty. The results of this analysis follow the significant mediating role of loyalty of customers as described in the reference [18], that loyalty of customers mediates the relationship between market orientation and business performance.

In general, this research is supported by the RBV theory, that a company is a collection of resources and strengths owned by a company, so each company needs to focus on managing these resources and strengths in a combination that its competitors cannot imitate. Managers and those responsible for designing strategies and producing innovations, as well as loyalty of customers and customers, are resources owned by the company [36], [38]; and each company will try to combine resources, strategy and innovation to achieve the expected company performance.

## CONCLUSION

This research has produced several findings: the innovation differentiation strategy has a positive and significant effect on loyalty of customers, the marketing differentiation strategy has a positive and significant effect on loyalty of customers, and the low-cost strategy has a positive and significant effect on loyalty of customers. All three are competitive strategy constructs, so it can also be concluded that competitive strategy positively and significantly affects loyalty of customers in vegetarian-based restaurants in Indonesia. In addition, loyalty of customers positively and significantly affects the operational performance of vegetarian-based restaurants in Indonesia. The following finding is that loyalty of customers is a variable mediating the effect of competitive strategies (such as innovation differentiation strategies, marketing differentiation strategies and low-cost strategies) on the operational performance of vegetarian-based restaurants in Indonesia. The results of this study strengthen the role of loyalty of customers in mediating the effect of competitive strategy on company performance, especially the company's operational performance, so that it can cover the gap in previous research. The empirical results of this study also support the theory that states the importance of loyalty of customers and a good company relationship with customers. And lastly, the results of this study are also in harmony with the results of previous studies, where the variables in the previous studies became a determinant of the variables in this study, which were proven empirically.

## LIMITATION

The limitations of this study are the characteristics of the very homogeneous respondents and the subject and object of research, namely vegetarian-based restaurants, which have specific industrial characteristics with a limited population, so further research is expected to broaden the subject and object of research.

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